

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 EUR-12 ISO-00 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 9270

INFO AMEMBASSY ATHENS

AMEMBASSY THE HAGUE

AMEMBASSY MONROVIA

UNCLAS STOCKHOLM 6640

E.O. 11652: N/A

TAGS: EWWT, NL, SW

SUBJECT: BROSTROM CONCERN PLANS SUBSTANTIAL REDUCTION OF MERCHANT
FLEET

1. ACCORDING TO A SWEDISH RADIO NEWS REPORT FROM GOTEBORG ON NOVEMBER 30, THE BROSTROM CONCERN (PROMINENT SWEDISH SHIOPWNER), WITH HEADQUARTERS AT GOTEBORG, IS CONSIDERING THE SALE ABROAD OF ANOTHER FIFTEEN OF ITS SHIPS, COMPRISING ALMOST ONE-THIRD OF ITS REMAINING MERCHANT FLEET AND EMPLOYING ALTOGETHER A CREW OF SOME 750 PERSONS. KRISTIAN VON SYDOW, HEAD OF THE CONCERN, HAS IN ESSENCE CORROBORATED THE RADIO NEWS REPORT AND INDICATED THAT THE SALES, IF THEY TAKE PLACE, WOULD PRIMARILY AFFECT THE OLDER VESSELS IN THE FLEET.

2. DURING THE PAST YEAR, BROSTROM HAS BEEN SUCCESSIVELY REDUCING THE SIZE OF ITS FLEET AND ANY FURTHER REDUCTION IS LIKELY TO BE STRONGLY OPPOSED BY THE SWEDISH TRADE UNIONS. BROSTROM ATTRIBUTES THE SALES (SOME TEN SHIPS HAVE REPORTEDLY BEEN SOLD SINCE THE BEGINNING OF 1976) TO THE HEAVY FINANCIAL LOSSES SUFFERED BY THE CONCERN'S SHIPPING DIVISION. FOR CALENDAR YEAR 1976, THE SHIPPING BUSINESS IS EXPECTED TO RESULT IN A LOSS OF ALMOST SKR 100 MILLION

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(\$24 MILLION). THIS LOSS HAS ALREADY BEEN LARGELY OFFSET

BY THE PROCEEDS FROM THE SALES OF SHIPS MADE THIS YEAR.

3. ACCORDING TO BROSTROM, IT IS PRIMARILY THE CONCERN'S TANKER TONNAGE AND LARGE BULK CARGO CARRIERS THAT ARE CAUSING ITS HEAVIEST LOSSES. A SALES PROGRAM IS REPORTEDLY TO BE DISCUSSED AT THE COMPANY BOARD MEETING SCHEDULED FOR DECEMBER 10. UNTIL THEN NOTHING DEFINITE CAN BE SAID AS TO THE TOTAL NUMBER OF SHIPS THAT WILL BE SOLD. IN ANY EVENT, MOST OF THE SALES WILL PROBABLY BE MADE TO SHIPPING COMPANIES ABROAD IN WHICH BROSTROM IS A PART-OWNER OR MAY BE EXPECTED TO ACQUIRE AN INTEREST. ONE SUCH COMPANY, FOR EXAMPLE, IS THE HOLLAND-AMERICA LINE IN ROTTERDAM, A WHOLLY OWNED BROSTROM SUBSIDIARY.

4. THE DILEMMA OF THE BROSTROM CONCERN IS THE HIGH OPERATING COST FOR VESSELS REGISTERED IN SWEDEN. THAT COST IS SAID TO BE THE HIGHEST IN THE WORLD AND ABOUT TWICE AS HIGH AS THAT FOR A SHIP REGISTERED, FOR EXAMPLE, IN LIBERIA OR IN GREECE.

SMITH

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